

SUPERVISORY AGREEMENT

OTS Docket No.: 00318

This Supervisory Agreement ("Agreement") is made, as of June 5, 2003 (the "Effective Date"), by and among THE GENOA SAVINGS AND LOAN COMPANY ("Genoa" or the "Bank", OTS Docket No. 00318), a federally insured state-chartered savings association having its main office located at 22020 State Route 51 West, Genoa, Ohio 43430, the OHIO DIVISION OF FINANCIAL INSTITUTIONS ("ODFI"), which is acting through its Superintendent or his designee and has its offices located at 77 South High Street, 21st Floor, Columbus, Ohio 43215, and the OFFICE OF THRIFT SUPERVISION ("OTS"), an office within the United States Department of the Treasury, which is acting through its Northeast Regional Director or his designee ("Regional Director") and has its Northeast Regional Office located at 10 Exchange Place, 18th Floor, Jersey City, New Jersey 07302.

WHEREAS, the ODFI is the state regulator of Genoa pursuant to Chapter 1155 of the Ohio Revised Code; and

WHEREAS, the OTS is the primary federal regulator of Genoa pursuant to the Home Owners' Loan Act ("HOLA"), 12 U.S.C. §§ 1461 *et seq.*, and is Genoa's appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §§ 1811 *et seq.*;¹ and

WHEREAS, based on the findings set out in the Report of Examination for the regulatory examination of Genoa that was started on January 21, 2003 (the "Report of Examination"), the ODFI and the OTS (collectively the "Regulators") are of the opinion that Genoa has violated regulations and engaged in acts and practices that are considered to be unsafe and unsound; and

WHEREAS, the Regulators are of the opinion that grounds exist for the initiation of administrative proceedings against Genoa; and

WHEREAS, the Regulators are of the view that it is appropriate to take measures intended to ensure that Genoa will engage in safe and sound practices; and

WHEREAS, Genoa, acting through its Board of Directors (the "Board"), without admitting or denying any unsafe and unsound practices or regulatory violations, wishes to cooperate with the Regulators and to evidence its commitment to operate prudently and to comply with all applicable laws and regulations.

¹ All references herein to the United States Code (U.S.C.), the Code of Federal Regulations (C.F.R.) and the Ohio Revised Code are as amended, unless otherwise indicated.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

PART I

1.01. Compliance with Laws and Regulations. The Bank shall comply fully with the following laws and regulations:

- 12 C.F.R. § 560.101 (supervisory loan-to-value standards);
- 12 C.F.R. § 560.160 (classification of assets and valuation allowances);
- 12 C.F.R. § 560.170 (loan documentation practices);
- 12 C.F.R. §§ 562.2 and 563.180 (accurate regulatory reports);
- 12 C.F.R. § 563.170(c) and Ohio Revised Code § 1155.07 (accurate accounting records);
- 12 C.F.R. § 568.5 (appropriate policy/procedures for safeguarding customer information);
- 12 C.F.R. § 563.43 (incorporating insider lending restrictions/requirements of 12 CFR Part 215);
- 12 C.F.R. § 563.177 (oversight of BSA/anti-money laundering program);
- 12 C.F.R. § 567.12(c) (quarterly estimations of fair value of mortgage servicing assets);
- 12 C.F.R. §§ 226.18 and 226.22 (accuracy of Regulation Z disclosures);
- 12 C.F.R. § 202.9 (Regulation B/reasons for denial of credit);
- 12 C.F.R. § 229.16 (Regulation CC/funds availability policy);
- 12 C.F.R. §§ 3500.8 and 3500.21 (Regulation X – settlement statement & servicing disclosure);
- Ohio Revised Code § 1151.49 (fidelity bond coverage); and
- Ohio Revised Code § 1155.07 (independent auditor meetings with outside directors).

1.02. Bank Management Enhancement.

(a) The Bank shall take all appropriate actions to hire, as soon as is practical and in any event within 60 days of the Effective Date of this Agreement, a qualified individual to fill the currently vacant position of Chief Executive Officer. To be eligible to be hired as the Bank's Chief Executive Officer, the candidate, among other things, must: (i) have a demonstrated successful record of serving as a senior management official in the banking/thrift industry; and (ii) possess appropriate background, experience and skill sets to promote the safe and sound operation of the Bank in view of the Bank's risk profile, the requirements of this Supervisory Agreement, and the regulatory concerns identified in the Report of Examination.

(b) The Bank's Executive Search Committee shall implement the Bank's written plan (with specified action items and deadlines) for the prompt hiring of a qualified individual to serve as Chief Executive Officer, which plan has been submitted to the Regulators. The Executive Search

Committee shall maintain minutes of its meetings and conduct its business no less than two times per month until the Bank has hired a qualified individual. Until the Bank has hired a qualified individual to serve as Chief Executive Officer, the Executive Search Committee shall report to the Board, at each Board meeting, updating the Board on the Committee's actions and progress.

(c) By the last business day of each month until the Bank has hired a qualified individual to serve as Chief Executive Officer, the Bank's Board (or the Executive Search Committee) shall submit to the Regulators a written status report detailing the Bank's efforts and progress in hiring a Chief Executive Officer.

(d) The Bank's actions related to the hiring of a Chief Executive Officer shall be consistent with the restrictions and requirements imposed by Paragraphs 2.02, 2.03, and 2.04 of this Agreement.

1.03. Business Plan and Budget.

(a) The Bank shall develop, adopt and implement an appropriate written 3-year Business Plan and Budget ("Business Plan") that is acceptable to the Regulators. The Bank's Business Plan will serve as a blueprint to guide future operations of the Bank in a safe and sound manner. The objective and guiding principle of the Business Plan shall be a transition of the Bank's operation into activities that: (i) entail less risk, (ii) provide more stable and sustainable sources of core income, and (iii) are supported by capital levels commensurate with the risks of the Bank's operations and the composition of its balance sheet. In developing the Business Plan the Bank's management and Board also should be guided by Section II.H of Appendix A to the Safety and Soundness Guidelines at 12 C.F.R. Part 570, which states that "institutions should establish and maintain a system that is commensurate with the institution's size and nature and scope of its operations to evaluate and monitor earnings and ensure that earnings are sufficient to maintain adequate capital and reserves."

(b) To be acceptable to the Regulators, the Business Plan, at a minimum, must incorporate the following elements and considerations:

- (i) Budgeted, quarterly pro forma financial statement projections, including income statements, balance sheets (which must set out targeted regulatory capital ratios), and statements of cash flow.
- (ii) Target regulatory capital ratios, and the above-required pro forma financial statements shall include quarterly projections of the Bank's leverage and total risk based capital ratios. The target capital ratios shall exceed the ratios required for a "well capitalized" designation, pursuant to 12 C.F.R. § 565.4, and shall be commensurate with the risk level of the Bank's activities and balance sheet. In formulating the target capital ratios, the Business Plan's discussion of the target capital ratios shall utilize methodologies

substantially similar to those used by the Regulators as described at pages 10 and 11 of the Report of Examination. In addition, the Business Plan's discussion of the target capital ratios shall, at a minimum, address and consider: (1) the Bank's current and future capital requirements; (2) risks related to the composition of the Bank's balance sheet (including consideration of the level of various grades of subprime credits, loans in excess of supervisory loan-to-value limits, asset concentrations, fixed assets, and liquidity levels); (3) the risks related to the Bank's various types of lending activities; (4) the volume of adversely classified assets; (5) the Bank's anticipated level of retained earnings; and (6) the source and timing of additional funds to fulfill the future capital needs of the Bank.

- (iii) A detailed description of all activities, and risks attendant to such activities, that the Bank intends to engage in during the term of the Business Plan. In particular, for all loan programs that include lending to subprime borrowers² and/or programs that permit high loan-to-value ("LTV") ratios,³ the Bank's Business Plan must clearly set forth the specific parameters of these higher risk lending programs, including but not limiting to: (1) the establishment of a maximum exposure level for the Bank's subprime and/or high LTV loan programs at a threshold substantially below the current exposure levels of the Bank; (2) a clear statement of how the Bank will define subprime credits (including but not limited to descriptions of the criteria the Bank will use for assigning credit grades); (3) quarterly targets for a reduction in subprime and high LTV loans broken down by loan type (*i.e.*, commercial, commercial RE, residential RE, etc.) and for subprime loans, also broken down by credit grade (*i.e.*, A, B, C, etc.) or category (*i.e.*, FICO score of 600 or less, 620-600, 660-620, etc.); (4) a thorough explanation of the specific steps to be taken by the Bank on an ongoing basis to stratify the risk of the subprime and/or high LTV portfolio; and (5) a detailed analysis of the appropriate level of capital necessary to support the higher risk subprime and/or high LTV lending activity (as required by subparagraph (b)(ii) above).
- (iv) Details on future sources of revenue and reduction of overhead costs, as the Bank moves away from high-risk activities and assets.
- (v) The requirement that, on a quarterly basis, the Board review and evaluate the Bank's actual performance as compared to the projections in the Business Plan. Significant variances shall be analyzed and explained along with a specific description of the measures that have been implemented or proposed to correct or abate such variances, including when necessary, adjustments to the Business Plan or of its underlying assumptions. All such reviews shall be documented in the minutes of the Board.
- (vi) The requirement that, within 45 days of each quarter-end, the Bank will submit to the Regulators a written quarterly variance report (using quarter-end Thrift Financial Report ("TFR") data) that is based on the performance review required by item (v) above. Among other things, the quarterly variance report shall include an analysis of the change in the Bank's level of subprime and high LTV loans comparing actual to projected levels.

² For purposes of this Agreement, the term "subprime" has the meaning ascribed to that term in OTS CEO Memorandum 164 dated July 22, 2002. A copy of the "subprime loan" definition from that guidance has been provided to the Bank.

³ For purposes of this Agreement, the term "high LTV ratios" means loan-to-value ratios in excess of the supervisory loan-to-value limits set forth in the Appendix to 12 C.F.R. § 560.101.

- (vii) Board review, no less than annually, of the Business Plan and the Bank's performance thereunder to determine whether revisions are warranted to reflect, among other things, changes in interest rates or market conditions and, if so, the Business Plan shall be revised accordingly. Any actions taken by the Board, including the review, shall be documented in the Board's minutes.
 - (viii) The requirement that, on an annual basis starting in 2004, the Bank will develop an amendment extending the Business Plan for an additional year such that the Bank's operations will be continuously guided by a 3-year Business Plan.
 - (ix) An express written provision providing that any revisions to the Business Plan shall require prior written notice to, and an opportunity for comment by, the Regulators.
- (c) The Bank's Board must participate in the formulation of the Business Plan and must approve it by formal action at a duly called and held meeting.
- (d) Within 90 days of the Effective Date of this Agreement or by September 15, 2003 (or such later date as may be permitted in writing by the Regulators), whichever occurs first, the Bank shall submit to the Regulators its proposed initial 3-year Business Plan. The submitted Business Plan must address the remainder of 2003 as well as calendar years 2004, 2005 and 2006.
- (e) Within 30 days after receiving the Bank's proposed Business Plan, the Regulators will provide written notice to the Bank of whether the Business Plan has been found acceptable or seek additional information (and/or revisions) regarding the plan. The Bank shall commence implementation of the Business Plan immediately upon its receipt from the Regulators of written notice of the acceptability of the regulatorily approved Business Plan ("Approved Business Plan", which term includes any such plan that is subsequently amended with written approval of the Regulators).
- (f) The Bank will be deemed to be in violation, and in breach, of this Agreement if, without prior written clearance from the Regulators: (i) it fails to reduce its risk profile in the manner contemplated by an Approved Business Plan by failing to undertake the actions contemplated by such Plan, (ii) if it engages in any material respect in operations not contemplated by an Approved Business Plan, (iii) if the Bank's asset size materially exceeds the amounts contemplated by an Approved Business Plan, or (iv) if the Bank's regulatory capital ratios (as reported in a TFR or as otherwise determined by the Regulators) are materially below the projected levels set out in an Approved Business Plan.
- (g) The Bank may, after prior written notice to and approval by the Regulators, amend an Approved Business Plan to reflect a change in circumstance. Until such time as a proposed

amendment has been approved, the Bank shall not engage in activities not contemplated by the then outstanding and effective Approved Business Plan.

1.04. No Erosion of Capital Levels Permitted. The Bank shall not permit its leverage capital ratio to drop below 7.25 percent, and it shall not permit its total risk-based capital ratio to drop below 10.25 percent. The Bank shall take appropriate actions to enhance its capital ratios through implementation of the Business Plan required by Paragraph 1.03 of this Agreement.

1.05. Restrictions on Lending.

(a) Until the restrictions of this Paragraph 1.05(a) have terminated pursuant to Paragraph 1.05(c), and except with the prior written non-objection of the Regulators or as otherwise permitted by Paragraph 1.05(b), the Bank **shall not** directly or indirectly:

(i) Make, invest in, purchase, refinance, extend or otherwise modify or commit to make, invest in, purchase, refinance, extend or otherwise modify any **loan for a business purpose**⁴, except for prudently made residential construction mortgage loans having the following attributes: (1) the structure to be built is to be an owner-occupied one-to-four-family residence; (2) the loan-to-value ratio of the Bank's construction loan does not exceed 80 percent of the value of the collateral; and (3) the Bank has obtained documented existence of a firm commitment for end-loan financing; or

(ii) Make, invest in, purchase, refinance, extend or otherwise modify or commit to make, invest in, purchase, refinance, extend or otherwise modify any **mortgage loan or consumer loan** except that the Bank may make and/or commit to make: (1) prime⁵ quality, first-lien, amortizing owner-occupied residential mortgage loans conforming to Fannie Mae/Freddie Mac underwriting guidelines and eligible for sale to Fannie Mae or Freddie Mac, and (2) well-secured prime consumer loans (including but not limited to prudently underwritten home equity loans and end-user motor vehicle loans).

(b) Notwithstanding the restrictions at subparagraph (a) above, the Bank may make advances necessary to honor legally binding commitments, existing on or before April 2, 2003, to fund contractually enforceable loan commitments ("Commitments") or loans-in-process ("LIP"), provided that:

(i) The Bank, prior to finalizing any Commitment or making any disbursement under an LIP, shall affirmatively determine that all conditions precedent to the Commitment or disbursement have been satisfied;

(ii) The Bank must not violate any law or regulation applicable to it on account of the honoring of such Commitment or LIP; and

⁴ For purposes of this Supervisory Agreement, a "loan for a business purpose" means: (i) a commercial loan whether or not secured by real estate, and (ii) any loan or lease other than one for a personal, family, or household purpose or use.

⁵ For purposes of this Agreement, a loan is prime quality if it is not deemed to be "subprime" as that term is defined in OTS CEO Memorandum 164 dated July 22, 2002.

- (iii) All such Commitments and LIPs are identified on the list of Commitments and LIPS that the Bank submitted to the Regulators. That list was required to identify: (1) the amount and type of Commitment or LIP, (2) the date the Commitment was issued, (3) the identity of the borrower and the related Bank loan number, and (4) the schedule of the anticipated funding.

(c) Provided that the Bank has hired a qualified individual to serve as Chief Executive Officer in accordance with Paragraph 1.02 of this Agreement, the lending restrictions set out at Paragraph 1.05(a) hereof will cease to be applicable to the Bank when the Regulators provide it with written notice of the acceptability of the Bank's Business Plan (in accordance with Paragraph 1.03 of this Agreement), and instead the Bank's lending operations shall be subject to, and must conform with, the lending operations described in the Approved Business Plan.

1.06. Policies on Asset Quality and Classification.

(a) Within 60 days of the Effective Date hereof, the Board shall adopt, and the Bank shall implement, a formal written program to identify and classify problem assets that meets the requirements of: (i) 12 C.F.R. § 560.160, (ii) section II.G. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570, and (iii) the *Interagency Policy Statement on the Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions*, dated July 2, 2001 (66 Fed. Reg. 35629, published on July 6, 2001).⁶ Among other things, the program must have the following characteristics:

- (i) It must be supervised by a qualified and designated Bank management official who: (a) has no independent loan origination or approval authority, (b) is independent of the appraisal preparation process and (c) reports directly to the Board or the Audit Committee concerning the program;
- (ii) It must ensure the proper identification of assets as "loss", "doubtful", "substandard" or "special mention" (collectively referred to as "Criticized Assets") and the reporting of each such asset to the Board at least monthly. Loan classifications shall be based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms, and will not rely excessively on loan performance to date;
- (iii) It must provide for the maintenance of an adequate allowance for loan and lease losses ("ALLL") to reflect credit risk in the Bank's loan and lease portfolio;
- (iv) It must ensure the prompt charge-off of uncollectible loans, or portions of loans, in accordance with generally accepted accounting principles. See SFAS No. 5, No. 15 and No. 114; and
- (v) It must require the timely and accurate reporting of the Criticized Assets, ALLL and charge-offs on the TFR.

⁶ The OTS distributed copies of the Interagency Policy Statement to savings institutions under cover of OTS CEO Memorandum 142, and a copy is available on the OTS's Internet site at <http://www.ots.treas.gov/docs/25142.pdf>

(b) Within 60 days of the Effective Date hereof, the Bank shall submit to the Regulators copies of the written asset quality and classification program required by subparagraph (a) above.

1.07. Management of Classified Assets-to-Capital Ratio.

(a) On and after March 31, 2005, the Bank's Classified-Assets-to-Capital Ratio (as defined below) shall not exceed 20.0%, and prior to March 31, 2005, the Bank shall reduce its Classified-Assets-to-Capital Ratio to comply with the maximum permissible ratios set out in the table below.

Phased Reduction of Classified-Assets-to-Capital Ratio			
	6/30/04	12/31/04	3/31/05 & thereafter
Maximum Permissible Classified-Assets-to-Capital Ratio:	30.0%	25.0%	20.0%

The Bank shall take all appropriate actions to cause its Classified-Assets-to-Capital Ratio to comply with the limitations set out in the preceding sentence and table.

(b) Within 45 days of each quarter-end, the Bank shall submit to the Regulators a written quarterly status report that: (i) identifies the amount of the Bank's Adversely Classified Assets and its Classified-Assets-to Capital Ratio (using the quarter-end TFR data), (ii) discusses the actions taken by the Bank during the quarter to improve such ratio and reduce the level of Adversely Classified Assets; (iii) addresses other considerations and events that affected such ratio, and (iv) describes the significant actions the Bank plans to take to further improve such ratio during the quarter that will be the subject of the Bank's next TFR.

(c) For purposes of this Agreement, the term "Classified-Assets-to-Capital Ratio" refers to the percentage that is determined when the total dollar amount of the Bank's Adversely Classified Assets (the numerator) is divided by a denominator amount equal to the sum of (i) the Bank's Tier 1 capital and (ii) the Bank's total allowance for loan and lease losses.⁷ The term "Adversely Classified Assets" means Bank assets that are, and subsequent to the Effective Date hereof will have been, classified as "substandard", "doubtful", or "loss" either by the Bank (pursuant to 12 C.F.R. § 560.160(a)(1) and the written program required by Paragraph 1.06 of this Agreement) or by the Regulators (pursuant to 12 C.F.R. § 560.160(a)(2) and other applicable laws and regulations).

1.08. Liquidity Enhancement. Within 30 days of the Effective Date of this Agreement, the Bank's Board of Directors must adopt and the Bank must commence implementation of a revised

⁷ Allowances for Loan and Lease Losses are reported at lines SC283 and SC357 of TFR Schedule SC. The total amount of all ALLLs should be the sum of the amounts reported on those TFR lines.

and improved written liquidity policy that is designed to provide for prudent levels of liquid assets consistent with the liquidity needs of the Bank in view of the above-average liquidity risk presented by the Bank's level of unfunded lines of credit, loans-in-process, and loans sold with recourse. Among other things and at a minimum the Bank's revised liquidity policy must provide for the Bank's maintenance of Liquid Assets in an amount not less than 7.0% of the amount of the Bank's Liquidity Base.⁸

1.09. Internal Controls and Risk Management System. Within 120 days of the Effective Date of this Agreement, the Bank's Board shall adopt and the Bank shall implement written policies and procedures on internal controls and information systems that: (1) conform with section II.A. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570; (2) are designed to cause the Bank to comply with 12 C.F.R. § 563.161; and (3) are established following consideration of the guidance at paragraph 10 of Appendix A to 12 C.F.R. Part 363. At a minimum such policies and procedures must take into account the scope and risk of the Bank's activities and provide for:

- (i) An organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to established policies;
- (ii) Effective risk management;
- (iii) Timely and accurate financial, operational and regulatory reports;
- (iv) Adequate procedures to safeguard and manage assets; and
- (v) Compliance with applicable laws and regulations.

1.10. Internal Audit Function. Within 90 days of the Effective Date of this Agreement, the Bank's Board shall adopt and the Bank shall implement written prudent policies and procedures for its internal audit function that conform with the requirements and guidelines at section II.B. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570. At a minimum, such written policies and procedures must satisfy the following requirements:

- (i) The internal audit function, under the supervision of an Internal Audit Manager (defined below), must report directly to the Board or an Audit Committee thereof consisting solely of "outside" directors, *i.e.*, directors who are not also officers or employees of the Bank;
- (ii) The policies and procedures must assign responsibility for the day-to-day management of the internal audit function to a designated and qualified officer of the Bank (the "Internal Audit Manager");

⁸ For purposes of this Agreement the term "Liquidity Base" has the meaning ascribed to such term in 12 C.F.R. § 566.1(c) (1999). "Liquid Assets" means the Bank's cash and certain unpledged Bank assets (e.g., investment securities) of the type that would have qualified as Liquid Assets as that term had been defined at now-rescinded section 566.1(g) of the OTS's regulations (formerly codified at 12 CFR § 566.1(g) (1999)). The 1999 version of that regulation is available on the Internet at: http://www.access.gpo.gov/nara/cfr/waisidx_99/12cfr566_99.html.

- (iii) On an annual basis, the Board (or Audit Committee thereof) shall establish in writing, and assure the completion of, an internal audit program conforming with industry best practices that, among other things, addresses all of the Bank's operations and departments and sets out a schedule of assignments. The internal audit program shall be designed to determine:
 - (A) Whether the Bank is in compliance with applicable statutes, regulations, and internal Bank policies;
 - (B) Whether the internal controls system is working properly;
 - (C) Whether all significant deficiencies noted in internal and/or external audit reports have been or are being corrected by management;
 - (D) The soundness and adequacy of information systems and of accounting, operating, and administrative controls;
 - (E) The effectiveness of internal policies and procedures; and
 - (F) The extent to which the Bank's assets are protected against loss.
- (iv) On no less than a quarterly basis, the Internal Audit Manager shall prepare and submit to the Board (or the Audit Committee) a written report of findings from the internal audit function, and the Board (or the Audit Committee) must review and evaluate each such report; and
- (v) The Board (or Audit Committee) shall: (1) direct Bank management to take appropriate corrective action to address deficiencies identified by the internal audit function, and (2) monitor Bank management's progress in taking such required corrective action.

1.11. Internal Asset Review Program.

(a) On a quarterly basis, the Bank must perform an internal asset/loan review to determine compliance with Board-approved lending policies, underwriting standards, and loan servicing procedures. The Bank's Internal Audit Manager shall supervise the internal asset/loan reviews. The internal asset/loan reviews may be conducted by a qualified service provider or by qualified Bank staff who must be independent of the Bank's lending function. The quarterly asset/loan reviews should be based on a sample review of new loans made during the previous quarter as well as another specific sample of loans from the Bank's existing loan portfolio.

(b) On a quarterly basis, the Bank's Internal Audit Manager must provide the Board with, and the Board must review and evaluate, a written report documenting the findings and recommendations relating to the internal loan/asset review. The written reports about the internal asset/loan reviews should conform with the standards set out in the OTS's "Director's Guide to Management Reports,"⁹ and at a minimum, such reports must provide information about:

- (i) Each loan that represents an exception to applicable Bank loan policies and procedures (including each loan that was not properly approved) and the nature of the exception; and

⁹ The "Director's Guide" is available on the OTS's Internet site at <http://www.ots.treas.gov/docs/48091.pdf>.

- (ii) Each loan file lacking complete documentation (as required by the Bank's lending policies, underwriting standards, loan-servicing procedures, or other applicable guidance) and the nature of the exception.

1.12. Oversight/Management of Compliance with BSA and Consumer-related Laws.

(a) Within 30 days of the Effective Date of this Agreement, the Bank's Board shall establish a Compliance Committee of the Board consisting of, at a minimum, three directors who are not also officers of the Bank. The Compliance Committee must meet at least monthly, maintain written minutes of its meetings, and report on its findings and recommendations at each meeting of the Bank's Board. The Compliance Committee shall be responsible for monitoring and assessing the Bank's compliance with the following laws and regulations (collectively the "Compliance Laws and Regulations"): (i) the Bank Secrecy Act (31 U.S.C. §§ 5311 *et seq.*) and the Treasury Department and OTS regulations thereunder (31 C.F.R. Part 103 and 12 C.F.R. § 563.177), and (ii) federal and state consumer protection laws and regulations, including but not limited to: Regulation Z (12 C.F.R. Part 226), Regulation B (12 C.F.R. Part 209), Regulation CC (12 C.F.R. Part 229), Regulation X (24 C.F.R. Part 3500), the OTS's regulations about Privacy of Consumer Financial Information (12 C.F.R. Part 573), the Fair Credit Reporting Act (5 U.S.C. §§ 1681 *et seq.*), and the other laws and regulations that are the subject of the OTS's Compliance Activities Handbook.

(b) Within 90 days of the Effective Date of this Agreement, the Bank's Board shall designate as the Bank's Compliance Officer a Bank officer who has the requisite background, training and experience to oversee and manage the Bank's day-to-day compliance with applicable Compliance Laws and Regulations. The Compliance Officer will be responsible for: (i) facilitating the Bank's compliance with the Compliance Laws and Regulations, (ii) staying abreast of changes in the Compliance Laws and Regulations and other related regulatory developments, and (iii) managing compliance reviews conducted by Bank staff and/or appropriate outsourcing firms/consultants. On a monthly basis, the Compliance Officer shall report to the Board (and/or the Compliance Committee thereof) on, among other things, (i) the status of the Bank's compliance with the Compliance Laws and Regulations, (ii) appropriate corrective actions to address deficiencies, and (iii) changes/developments, if any, with respect to Compliance Laws and Regulations relating to the Bank's operations.

1.13. Board Committee Monitoring of Bank Compliance with Agreement, etc. Within 30 days of the Effective Date of this Agreement, the Bank's Board shall establish a Regulatory Compliance Committee of the Board consisting of, at a minimum, three directors who are not also officers of the

Bank, and which may be the same Board committee as the Compliance Committee required by Paragraph 1.12 of this Agreement. The Regulatory Compliance Committee must meet at least monthly, maintain written minutes of its meetings, and report on its findings and recommendations at each meeting of the Bank's Board. The Regulatory Compliance Committee shall be responsible for monitoring and assessing the Bank's progress in the following areas:

- (i) Compliance with each provision of this Agreement;
- (ii) Compliance with the items listed in Matters Requiring Board Attention on pages 5 through 8 of the Report of Examination; and
- (iii) Compliance with the other required corrective actions noted in the Report of Examination.

PART II

2.01. Restriction on Asset Growth.

(a) Except with the prior written approval/non-objection of the Regulators and until the restrictions of this Paragraph 2.01(a) are lifted pursuant to Paragraph 2.01(b), the Bank is prohibited from having any asset growth other than limited asset growth in an amount not to exceed net interest credited on deposit liabilities, as determined on a quarter-end basis. In view of the foregoing, at each quarter-end the Bank's Total Assets¹⁰ must not exceed the sum of (i) the Bank's Total Assets (as reported on line SC60 of its prior TFR) and (ii) the amount of the Bank's deposit-related interest expense reported on line SO215 of its most recent TFR. (See OTS Regulatory Bulletin 3b.)

(b) Provided that the Bank has hired a qualified individual to serve as Chief Executive Officer in accordance with Paragraph 1.02 of this Agreement, the asset-growth restrictions set out at Paragraph 2.01(a) hereof will cease to be applicable to the Bank when the Regulators provide it with written notice of the acceptability of the Bank's Business Plan (in accordance with Paragraph 1.03 of this Agreement), and instead the Bank's asset growth shall be subject to, and shall not exceed the asset-growth projections described in the Approved Business Plan (including the pro forma financial statements therein).

2.02. Board and Management Changes. The Bank shall be and is subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 -

¹⁰ For purposes of determining compliance with the limitations of Section 2.01(a) hereof, the amount of the Bank's quarter-end Total Assets shall be the amount of (i) Total Assets reported on line SC60 of its most recent TFR less (ii) the amount of the receivable (in an amount not to exceed \$5.0 million) relative to firm (but not yet funded) commitments from the Federal Home Loan Mortgage Corporation ("Freddie Mac") to reimburse the Bank for its funding and settlement of mortgage loans on Freddie Mac's behalf and where the funds received from Freddie Mac will be, and are, used to pay down any third party borrowings that funded such loans.

.590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. § 563.590, (i) the Bank must notify the Regulators at least 30 days before adding or replacing any member of its Board, employing any person as a senior executive officer, or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive officer position, and (ii) the proposed director or senior executive officer may not begin service except as permitted by 12 C.F.R. § 563.585 and 12 U.S.C. § 1831i.

2.03. Compensation and Benefit Arrangements. The Bank shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Bank unless the Bank first -- (i) provides a minimum of 30 days advance notice of the proposed transaction and (ii) receives a written notice of non-objection from the Regulators. See OTS Thrift Activities Handbook § 310 (p. 310.11) and OTS Regulatory Bulletin 27b.

2.04. Severance and Indemnification Payments and Agreements to Make Such Payments. The restrictions at 12 C.F.R. Part 359 are applicable to the Bank. Such restrictions concern the making of agreements (including employment agreements) with severance provisions, "golden parachute payments" and "prohibited indemnification payments". Without limitation on the generality of the foregoing, this means, *inter alia*, that the Bank shall not make or agree to make any "golden parachute payment", as that term is defined 12 U.S.C. § 1828(k) and in 12 C.F.R. Part 359, except as may be permitted by the aforesaid statutory provision and regulations. See 12 C.F.R. §§ 359.2 and 359.4.

2.05. Contracts Outside of the Ordinary Course of Business. The Bank shall not enter into any third-party contracts outside of the normal course of business without the prior written non-objection of the Regulators. To seek such non-objection the Bank shall provide 30 days advance written notice to the Regulators of any such proposed contract. At a minimum, such notice shall set forth the Bank's reasons for seeking the contract and shall transmit a copy of the proposed contract. See Thrift Activities Handbook § 310 (p. 310.11 -12). The Regulators reserve the right, *inter alia*, to shorten the 30-day notice period where, in the exercise of their discretion, they have determined that good cause has been shown therefor.

PART III

3.01. Submission of Required Documents to the Regulators. The Bank, when required by this Agreement to submit documents to the Regulators, shall submit them as follows:

(i) With respect to submissions to the OTS:

The original to:

Robert C. Albanese
Regional Director
Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, New Jersey 07302

Two copies to:

Philip A. Gerbick
Assistant Director, Northeast Region
Office of Thrift Supervision
1 South Wacker Drive, Suite 2000
Chicago, Illinois 60606

(ii) With respect to submissions to the ODFI, one copy of each shall be sent to:

Neil G. Danziger
Deputy Superintendent for Savings and Loans
Division of Financial Institutions
Department of Commerce
77 South High Street, 21st Floor
Columbus, Ohio 43215-6120

3.02. Compliance with Agreement. Immediately and on an ongoing basis, the Bank's Board shall take all appropriate actions to cause the Bank to comply fully with the terms of this Agreement.

3.03. No Derogation of Board Responsibility. Notwithstanding the requirements of this Agreement that the Bank's Board submit various matters to the Regulators for the purpose of receiving regulatory approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual Board member's continuing fiduciary duty to the Bank. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank at all times.

3.04. Definitions. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the FDI Act, the provisions of the Ohio Revised Code governing savings and loan associations, or published OTS guidance (including the Thrift Activities Handbooks and Memoranda). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDI Act, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.05. Successor Statutes, Regulations, Guidance, Amendments. Reference in this Agreement to provisions of federal and state statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

3.06. Time Limits. Time limitations for compliance with the terms of this Agreement run from the Effective Date unless otherwise noted.

3.07. Rules of Interpretation.

(a) Nothing in this Agreement shall be construed as allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject.

(b) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regulators determine otherwise in the exercise of their discretion.

3.08. Integration Clause; Relationship to Other Regulatory Actions.

(a) This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date.

(b) The terms of this Agreement supersede the requirements and restrictions set out in the Supervisory Directive dated April 2, 2003 that the OTS's Regional Director issued to the Bank. The acceptance of this Agreement by the Regulators does not in any way relieve the Bank of its obligation to comply fully with its responsibilities to take other corrective actions brought to the Board's attention in the Report of Examination.

3.09. Successors In Interest/Benefit. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, expressed or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

3.10. Enforceability of Agreement; Director Attestation. The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of the Bank. Each director signing this Agreement at

Appendix A hereof attests, by such act, that she or he, as the case may be, voted in favor of the Board resolutions (copies submitted to the Regulators herewith) authorizing the execution of this Agreement by the Bank.

3.11. Effective Date; Duration; Termination or Suspension of Agreement. This Agreement shall be effective and enforceable as of the Effective Date, which date appears on the first page of this Agreement. This Agreement shall remain in effect until terminated, modified or suspended in writing by the Regulators, acting by and through their authorized representatives. The OTS and the ODFI, following consultation with one another, may jointly suspend any or all provisions of this Agreement by providing written notice of such action to the Bank.

3.12. No Bar or Estoppel. The provisions of this Agreement shall not bar, estop or otherwise prevent the OTS or ODFI from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the Bank or any of their current or former institution-affiliated parties.

3.13. Statutory Basis for Agreement. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, 12 U.S.C. § 1818. This Agreement also is a "written agreement" entered into with the ODFI within the meaning of Ohio Revised Code § 1155.021.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

THE GENOA SAVINGS AND LOAN COMPANY

By: Richard A. Hargrave
Richard A. Hargrave
Chairman of the Board

Date: June 5, 2003
(same date as the Effective Date above)

OFFICE OF THRIFT SUPERVISION

By: Robert C. Albansese
Robert C. Albansese
Regional Director

Date: June 10, 2003

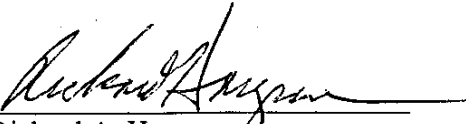
**DIVISION OF FINANCIAL INSTITUTIONS
OHIO DEPARTMENT OF COMMERCE**

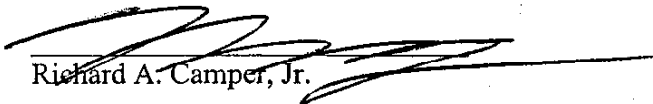
By: F. Scott O'Donnell
F. Scott O'Donnell
Superintendent


Date: June 9, 2003

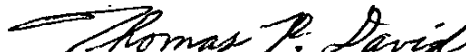
APPENDIX A TO SUPERVISORY AGREEMENT OF THE GENOA S&L COMPANY

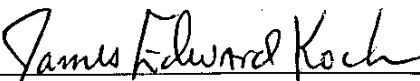
The undersigned individuals, each being directors of the Bank, acknowledge that each, following his review and consideration of the foregoing Agreement, has voted in favor of the Board resolutions authorizing the Bank to execute the foregoing Agreement and to perform the responsibilities required by the Agreement.


Richard A. Hargrave


Richard A. Camper, Jr.


Edward V. Clark.


Thomas P. David


James Edward Koch


Robert T. Skilliter, III